Md. Agency Repts " Service stations Spec.

Md. Y3. Se 49 :2/5/ 973

RESULTS AND ANALYSIS OF SERVICE STATION DEALERS QUESTIONNAIRE

Questionnaire's seeking information for the period January 1, 1973, through June 13, 1973, were sent to 4055 Service Station Dealers. Only 1407 (34.7%) expressed enough interest to even reply. Returns were received as follows:

MAJOR OIL COMPANY OWNED, LEASED TO DEALER	772	
PRIVATELY OWNED, OPERATED UNDER A MAJOR BRAND	503	
UNBRANDED	80	
COMPANY OPERATED	52	
	1407	TOTAL

MAJOR OIL COMPANY OWNED, LEASED TO DEALER: Returns were received from 772 leased outlets that were allocated in the range of 70% to 106% of their prior years purchases. There were 171 outlets unrestricted insofar as allocation was concerned. A total of 93,287 hours were lost by this category with only 158 limiting sales to their customers. Wholesale price increases ranging from .9 to 5.5 cents per gallon were experienced by 188 outlets with 412 outlets increasing their pump posted prices from .8 to 6.6 cents per gallon. Temporary voluntary allowances withdrawn during this period range from .5 to 7 cents per gallon. Voluntary allowances (discounts) are extended to a dealer in order to enable him to be more competitive in a trade area and therby increase his volume. Prior to the "shortage" dealers were compelled by lease to maintain predetermined longer hours which include Sundays. This is a normal action designed to continue the ability of an outlet to sell more gasoline. Just prior to the alleged "shortage" many dealers were encourage to stimulate volume through the use of glassware promotions, national football league books, and other items. Also, during the first half of this year we saw the innovation of self service, the far lower posted pump prices, by many major oil company dealer-leased outlets. This was another means to increase gasoline sales. Several dealers were forced to move from their existing locations to inferior locations, in order for the companies to rehabilitate with a larger operation and in some cases company operate the outlet. This, naturally, increases the demand for product through a rebuilt or renovated outlet. It is interesting to note that we have a written statement from one dealer in Eldersburg, Maryland, who was told by a company representative, to expect a survey form through the mail but when it comes, do not open it. The BP Company applied the smallest allocations to their dealers.

PRIVATELY OWNED, OPERATED UNDER A MAJOR BRAND: This category was the most abused and was allocated from .0% to 150% of the prior years purchases. Of the 503 reporting, 378 were forced to close or to limit sales to their customers and also experienced the withdrawal of voluntary allowances ranging from 1 cent to 1 1/2 cents per gallon. In this category 162 experienced a wholesale price increase from .5 cents to 8.0 cents per gallon and 211 of these outlets increased their pump posted prices from .5 to 10.0 cents per gallon. There was a high degree of activity between major oil companies in the cancellation of leases with this type operator and it is assumed that because of lease and lease back arrangements and other pricing arrangements favorable to the operator, this was done in order to channel that volume through their own controlled outlets wherein a greater profit per gallon could be achieved. In one instance, maintenance of the entire property was provided by the major oil company and this was completely eliminated in this category. BP continued to stand out in the poor treatment of this type of account. Newspapers carried several articles a few months ago in reference to the Butts BP Service Station, 8832 Belair Road, Perry Hall, Maryland. This individual had done business with his supplier (BP and their predecessors) for over 40 years and was selling 200,000 gallons a month at a discount price. In June he was allocated 168,000 gallons and BP did not renew the lease upon its expiration on June 30, 1973, pulling all pumps and equipment and refusing him any gasoline whatsoever. Greenbelt Consumer Service, Incorporated, operates 10 branded BP outlets in the suburban D. C. area. They were advised their contract was cancelled three months before its expiration date and after discussions by the supplier and Greenbelts attorney's it was decided they must live up to their obligation and supply the account for the balance of the contract period. Greenbelt Consumer Service, Incorporated, had been a branded BP chain for several years and according to its manager accounted for 20% of the BP volume in their geographic area. Here again, we can only assume action of this type is to eliminate the "deep discount" business and rechannel it through controlled higher profit outlets. In another instance, Mr. Edward E. Green of Kingsville, Maryland, was notified that BP would no longer supply him any gasoline after September 19, 1973. This gentleman had been operating for over 60 years. BP arranged to loan Clinton Car Wash $146,000 for the construction of a Car Wash Gasoline facility in return for a 10 year lease back arrangement during 1970. The payback arrangement amounted to $1849.00 per month and was based on a volume basis. Upon being allocated only 70%, Clinton sought relief from the high payback and attempted to adjust it at least to coincide with their allocation. Clinton was told by a Mr. Taggert in a very candid way that the general concept of BP-Sohio was to maintain only company owned stations. These are but a few specific instances which clearly indicate the trend by some major oil companies to eliminate this category of account in a premeditated manner.

UNBRANDED: Unbranded locations are also privately owned and are similar to the aforementioned category except that they post no brand identification. Of the 80 outlets reporting, only 13 were unrestricted in their allocation of product while 67 were allocated from 49% to 90% based on their purchases for the same month of the prior year. This small group of 80 outlets lost 23,942 hours of station operation with 70 of them limiting sales to their customers. Due to very small amounts allocated or being cut off completely, 39 were forced to close. Of this category 58 experienced a wholesale price increase ranging from .5 to 9.75 cents per gallon and 61 increased their pump posted prices from .5 to 10.0 cents per gallon due to the withdrawal of voluntary allowances, hauling allowances and the privilege extended to many by several suppliers of buying at jobber prices. These outlets were forced to raise their prices to a point where they could no longer compete with branded outlets of better facilities in their trading area. Due to the lack of appropriate Federal law, price for foreign product could go up under the existing Federal guidelines and there was no protection for this type of account.

COMPANY OPERATED: The 52 reporting outlets indicated they were either unrestricted in their purchases or allocated 100% of their needs. Only one indicated he was allocated at all. In this category 51 reported pump posted price increases ranging from 1.0 cents to 6.0 cents per gallon. No replies were received from Crown Central Petroleum Company but by observation and investigation we determined they were able to remain open 24 hours a day. During one week only, and at only one observed location, was there any effort by Crown to limit their sales and this occurred during the hours of 10:00 p.m. to 4:00 a.m. wherein they limited to a $2.00 purchase but we observed consumers being permitted to make two $2.00 purchases. Exxon owns and operates a secondary brand of outlets"Alert" and they failed to provide any detailed information for these outlets to this office. The source of supply for the "Alert" outlets is Crown Central Petroleum Company. We have no information as to hours of operation, volumes or allocations in reference to the "Alert" outlets, but rather our observations concluded the "Alert" stations continued normal hours of operation and appeared to be under no allocation program whatsoever.

Based upon the total returns received in this office, it is quite evident that company operated outlets were virtually unaffected insofar as gasoline availability was concerned.

The independent, both branded and unbranded certainly experienced the greatest difficulty in obtaining gasoline in view of the fact a total of 48 outlets were forced to close. These two categories certainly experienced the greatest cost per gallon increase.

In the major oil company owned but leased to dealer category the product availability did not significantly reduce, it did appear, however, to be redirected to different outlets. Dealers appeared to seize upn the opportunity to reduce station hours by eliminating Sundays, closing early, etc., while still selling basically the same volume of gasoline as in the previous months of the prior year.

Analysis of the returns received clearly indicated a trend to restrict, and in many cases, eliminate through contract cancellation, outlets with lower than average volumes and individuals who owned their own locations and were on a lease and lease back arrangement. These latter people usually enjoy a better arrangement than a normal dealer, for in some instances an individual will lease a location he owns to the oil company, for say $500 per month, then leases it back for $1.00 per month. In this manner, price discrimination is eliminated, the owner paid for his investment, but the oil company enjoys a lower profit per gallon, hence, redirect this volume through an owned facility and the result is, greater profit on that gallon plus a rent charge on the gallon, for the oil company.

The fact that 65.3% failed to bother to return our questionnaire further supports the above statements. It indicates either no problems at all, they like the reduced hours of operation, were just totally unaffected, or were fearful of responding for fear of reprisal by the major oil companies, or were instructed not to return the questionnaire.

SECRETARY OF AGRICULTURE - FARM "SHORTAGE"

During the period June 19th through August 24th, this department assisted the Secretary of Agriculture in obtaining fuel for farm and similar type accounts under the Federal designation "Priority I" needs.

The attached report for the entire "shortage" period is self explanatory wherein only 24,585 gallons of gasoline and 5200 gallons of diesel fuel needed to be obtained by this department for the farm trade.

The conclusion to be drawn here is that there was no "shortage" to this type of account as indicated by the few people needing to make contact with the Secretary and the very few gallons of product involved.